App. F. IX-4

Previous References

F.D. 420-34 (1-5)

193 8-9 (F.D.)

File No. 44-38

Serial Nos. 1

Letter References

P. 35/(F)

Preserve.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1 to

Part B for May 1934

SUBJECT.

Accounting Procedure of Industries Concerns

WD 0296—GPB—22,500—18-8-37

M. Rahman
15/5/35

(P.214 - 38-1) 2107 - 46

General and Revenue Secretariat | File No. | of 193 | [App. F. III—2

Serial No.

Urgent

The Comptroller is requested to put up a detailed note, regarding the accounting procedure followed in respect of the Sandal oil factory, from time to time. He is also requested to state whether the outstandings against the Essenflour Products Ltd, to the extent of about Rs 8 lakhs, have already been taken as "Sales" and taken to the Revenue account, and if so, under which head the outstandings remain unadjusted.

2. According to the changes in the accounting procedure of Government Commercial concerns introduced in Madras from 1st April 1934, the Accounts will show only the actual cash realisations and cash disbursements (and not the cash realisable or payable for the year), and Pro-forma Profit & Loss accounts are separately maintained. It appears desirable to introduce a similar procedure here also. The Comptroller is requested to examine the question and submit a detailed report in the matter.

3. This may be treated as urgent and a very early reply may be sent.

R Thamma

29-4-37. Financial Secretary.

FINANCIAL BRANCH 30 APR 1937 Be 4153

J. A. W.

COMPTROLLER'S OFFICE 1019/Spl 30 APR 1937 BANGALORE

No. 101/spl dated 5-8-37

U.O.No.84/I.A.D. Dated 31st July 1937.

Returned with compliments.

The procedure that was being followed at the commencement of operations in accordance with Govern... Order No.Fl.5121-73/B.9-12-2 dated 12th March 1913 for

NOTE—Contn. Sheet.

WD 0417--GPB—30,000—8-9-36

Serial No.

for the maintenance of accounts of Sandal Oil Factory is described in pages 1 to 7 of Mysore Account Code, Volume III, Part-3.

Since 1st July 1922 the payment to the Forest Department for Sandalwood supplied was done away with and the factory was required to bring out in its accounts the net revenue due to the sale of Sandalwood in the form of oil after providing for all manufacturing and marketing expenses and for depreciation on fixed assets, and this net Revenue and transactions pertaining to the oil distillation have been incorporated under the head 'II. Forest. 1. Sandal Oil Net Receipts' in accordance with Government Order No.I.C.1757-9/I. & C. 317-22-2 dated 4th October 1923. Funds were provided in the Budget under "21. Industrial Advances - 1. S.O.F. Advances." All drawings by the Factory and payments made by the Comptroller were debited in the first instance to this head in the Comptroller's books. All remittances on account of sale proceeds were credited to 'II. Forest 1. Sandal Oil Gross Receipts.' The corresponding heads in the Ledger were drawings and remittances from the Comptroller. Credits relating to Sandal oil sales under 'II. Forest 1. Sandal Oil Gross Receipts' were collected together in a statement from the Bank. Treasury challans and statements received from The gross sale realisations were compared with the amount of the approximate value of sale for

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Serial No. 97

the month reported by the Factory and any difference was adjusted by Transfer Entry by credit or debit to '21. c ii. Working Expenses' account as the amount appearing under 'II. Forest. 1. Sandal Oil Receipts' was more or less than the approximate value before adjustment. Similarly the monthly working expenses corresponding to the quantity of oil sold and as given in the schedule of working expenses were adjusted by debit to "II. Forest (i) 2. Deduct Working expenses" and by credit to "21. c ii. Working expenses". After the close of the year, the factory figures, according to the Balance sheet and accounts received, relating to Gross sales and working expenses were compared with the corresponding figures of this office and any difference noticed was adjusted in the final accounts of June.

The accounts procedure in the Factory and the audit procedure by the audit staff that ~~is~~ are now being followed consequent on the new accounting procedure introduced in accordance with Government Order No. Fl.5651-2/G.F.403-34-2 dated 12th/15th January 1936 ~~is~~ are fully described in the copy of the typed note herein enclosed.

The total amount due from the Essenflour Products, Ltd., at end of December 1936 is Rs.7,27,988-13-8 and this is included in the sum of Rs.11,16,357-10-6 outstanding under 'Sundry Debtors in the Balance Sheet. These outstandings from the Essenflour Products, Ltd., were all treated as sales as and when transactions occurred and taken to the Revenue account. They are now outstanding under 'Sundry Debtors.' Dues from the Company

first

Note—Contn. Sheet.

~~120~~ 6.12.37.

4155
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first appeared in the Balance Sheet of the Factory in the year 1924 under 'Sundry Debtors,' As against the total amount of dues from the Company, certain items amounting to Rs.3,04,634-12-9 are being shown as a liability under 'Suspense,' Whether any portion and if so, how much of this amount is adjustable against the debt due, is not yet settled. Incidentally, it may be pointed out that no provision for bad and doubtful debts is made in the Factory accounts to meet any item of debt that may become irrecoverable.

In regard to the desirability of changing the present accounting procedure in the Industrial Concerns which is based on the cash realisable or payable during the year into one on purely cash basis, certain statistical information has been called for from the Local Auditors of the Industrial Concerns. On its receipt the question will be re-examined and pursued further.

A. Raghavachari
Comptroller.

SNS)

A May be awaited.
For perusal
H. Secy.)
23-8-37

24-8-37

31-8-37

Forwarded with compliments to the Comptroller for favour of noting further action taken in the matter

K. Jambunathan
27.11.37
For Financial Secretary.

COMPTROLLER'S OFFICE 445/S&E 29 NOV 1937 BANGALORE

COM-71-Q-250-26-4-37

Comptroller's Office,

File No. of 193__.

COMPTROLLER'S OFFICE 15 SEP 1938 BANGALORE.

Serial No.

U.O.No.119/LA.Branch, 1st August 1938.

U.O.No.16/Spl. dated 9-7-1938 from Financial Secretary to Government for a further report after consulting the Departments on the new method of accounting procedure for the commercial concerns.

Passed on with compliments to the Director Sandalwood Oil Factory for favour of opinion and very early return.

for Comptroller.

KRJ

Returned with compliments,

There seems to be no particular objection for adopting the change proposed for booking the receipts and expenditure of Sandalwood Oil Factory in the Government accounts with the Comptroller.

With regard to the booking of information under Suspense head in the itemised new form of accounts, it has to be stated that the information can be furnished by the Factory only at the end of each half year after compiling the Balance Sheet and not each month. This is due to the fact that the Manufacturing and Trading accounts furnished to Comptroller each month at present bring out only the current month's manufacturing charges and sales and trading results to the end of the month.

In these accounts, are not incorporated balances under consignments accounts, personal ledger accounts, Depreciation fund accounts, Provident and other investment accounts all of which

.COM148R-500-17.6.38

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Serial No.

which close into the outstanding receipts and unliquidated expenditure accounts styled as "Suspense" in the form proposed by the Comptroller. A reference to any monthly Trading and Manufacturing accounts and the annual Balance Sheet, etc. will make this matter clear. To serve however as an illustration the figures for 1936-37 as per Factory books are recast into the revised form proposed by Comptroller. The revised form will help only to arrive at the difference between remittance to and drawings from the Treasury.

If the revised form is to be adopted, it will necessitate compilation of a Balance Sheet each month which obviously is impracticable. Also the preparation of one set of monthly accounts for the Comptroller and another for administration requirements is impossible and unnecessary. Since the debits and credits to each account in the General Ledger is made up of cash, credit and adjustment transaction, a separate analysis of the Ledger balances is not possible to attempt every month. The account can only be done periodically along with the Balance sheets.

Mysore,
11th Septr.1938.

Director,
Sandalwood Oil Factory.

Comptroller to
Government

13/9/38

Gross earnings - 1936-37.

Sales and Miscellaneous receipts			Rs	23,95,663	0 10
Suspense:-					
Closing stocks				1,19,467	4 4
Unremitted revenue of last year				1,11,591	9 10
				26,26,721	15 0
Deduct working expenses:-					
Raw material purchased	1,69,436-	2- 8			
Salaries and Estt.	68,619-	9- 7			
Labour	29,219-	7- 6			
Repairs and Miscellaneous	3,67,090-	5-11			
Depreciation	10,564-	6- 8			
Write off	24,935-	6- 1			
Suspense-					
Opening stocks	1,45,320-10-	5			
Unremitted revenue at the end of the year.	1,16,623-	6- 1			
				9,31,809	6 11
Balance.				16,94,912	8 1
Treasury remittance as per Factory books				23,11,045	8 0
Less drawings				6,16,132	15 11
Balance.				16,94,912	8 1

B.S. Iyengar

Officer in charge,
Sandalwood Oil Factory, Mysore.

Comptroller's Office, File No. 237 of 193__.

COMPTROLLER'S OFFICE 11 OCT. BANGALORE

Serial No.

U.O.No.291/IAD. dated 22nd September 1938.

Passed on with compliments to the Director of Industries and Commerce for favour of opinion in respect of concerns under his control and very early return.

For Comptroller.

KR)

U.O.No. 12(a)/38/39 dated 10.10.1938

Returned with compliments:

Regarding the new method of accounting procedure proposed for the Government Commercial Concerns, I have to observe that it involves the preparation of one set of proforma accounts on a cash basis and another set of proforma accounts on a strictly commercial basis as is being prepared hitherto. The Director of Sandalwood Oil Factory has, in his note on the subject, pointed out certain difficulties in adopting this method for booking the receipts and expenditure of the Sandalwood Oil Factory. The concerns under my control which are being worked on the same lines as the Sandalwood Oil Factory will also be faced with similar difficulties in trying to follow this new procedure. If the adoption of the revised form should involve the preparation of a Balance Sheet every month, it is clearly not practicable. The staff of the concerns cannot cope with the additional work. On the other hand, if the Comptroller can suggest a method of compiling the monthly accounts on a cash basis without entailing extra work I have no

(PTO)

Note—Contn. Sheet

COM148R-500-17.6.38

File No. of 193.. | Comptroller's Office,

Serial No.

no objection to introduce the revised procedure of accounting in the concerns under my control.

Personally I am of the opinion that the method of Government accounting which is on a cash basis (e.g., the annual budget of the Government) is not suited for commercial concerns whose accounts are prepared on a commercial basis taking into account cash, credit and adjustment transactions.

Director of
Industries and Commerce.

10th Oct.1938.

E 42/478, Letter.

Comptroller's Office, File No. of 193__.

Serial No.

U.O.No. 49 /IAD. dated 20th October 1938.

Passed on with compliments to the Chairman, Mysore Iron and Steel Works, Government Porcelain and Electric Factories for favour of opinion and return.

M. Vinayaka Rao
Comptroller.

KR)

Returned with compliments.

The Account current that is now being sent to the Comptroller monthly furnishes the required information

But the "net receipts" under the proposed form will not show the profit or loss of the concern but only the net cash incoming or outgoing. There will be -- abnormal variations between the net result shown in this account and the yearly profit or loss of the concern. Such an exhibition in the yearly Revenue Budget of Government under the major head "XXVII" Iron & Steel Works Profits" would give a misleading picture of the working of the concern to the Public and to Government. I do not understand what advantage is gained by modifying the present system.

The existing commercial form of accounts may be continued in respect of the Concerns under my control.

Camp, Bhadravati,
14-11-1938.

Chairman,
Mysore Iron & Steel Works etc.

COMPTROLLER'S OFFICE
15 NOV 1938
BANGALORE

Note—Contn. Sheet

.COM148R-500-17.6.38

Serial No.

No 953/GPL 19 7-6-38.

U.O.No.1173/I.A.D. dated 4th June 1938.

Returned with compliments.

The Budget in the case of departments of Government other than Industrial Concerns is framed on cash basis. To be in conformity with this procedure, a similar basis may also be adopted in the accounting procedure of Government Commercial Concerns. In such a case, the Budget Estimates for both receipts and disbursements may be shown under the following heads under the Revenue heads "XXVII Iron and Steel Works Profits, XXIX Industrial Works and II Forest.I Sandal Oil Net Revenue"

Gross Earnings :-
Sales
Miscellaneous Receipts
Total
Add or deduct Suspense
Gross Receipts
Deduct Working Expenses :-
Raw Materials
Salaries and Establishment
Labour
Repairs and Miscellaneous
Suspense
Depreciation
Total
Receipts more +
Expenditure more -

The head "suspense" under Gross Earnings and working Expenses is added to book the amounts of unrealised sales and other outstanding receipts and unliquidated expenditure and the difference in opening and closing stock respectively. The departments concerned may, perhaps, be consulted regarding the change proposed.

A proforma account will be maintained to show the actual results of working.

A

Comptroller.

NOTE—Contn. Sheet.

WD 0284—GPB—30,000—13-8-37

KR)

A. The Comptroller may perhaps be asked to consult the departments and send a further report.
I MR 13/6-38 (Fl. Secy.) SR 14.6-38

G.17446-38 E11 14/7/38

Accounting procedure of Industrial Concerns

File No. of 193 .

General and Revenue Secretariat

J.A.W. E36 9/7

To The Comptroller with compts. for favour of a further report after consulting the Departments

Sd. Jaichandi.

No. 756/spl dated 26/4/39 For Fl. Secy. to Govt.

COMPTROLLER'S OFFICE 9 - JUL. 1938 16/spl BANGALORE

12-7-38

U.O.No.1035/I.A.D. dated 19th April 1939.

Returned with compliments.

GEN. & REV. SECRETARIAT 29 APR. 1939 40 20 FINANCIAL BRANCH

The replies received from the Director of Industries and Commerce, the Director of Sandal Oil Factory and the Chairman, Mysore Iron and Steel Works etc., furnishing their opinion on the new accounting procedure followed in the Government Industrial concerns of Madras are placed in the file. They are of the unanimous opinion that the existing procedure may continue, as there are no advantages in the new system while it only involves additional work to the concerns.

A copy of the note furnished by Mr.S.Raghavachar, Assistant Comptroller to whom the question was referred while in Madras on deputation, is herein enclosed for the information of Government. I agree with him and under the circumstances explained therein, I do not think it necessary to introduce any modification in the existing procedure which has been found to be quite satisfacotory.

A FINANCIAL SECTION 27 APR.

M. Venkataraja Rao
Comptroller.

A may be accepted. The papers may be recorded.

24-5-39

KR)

25/5

26.5.39

SANDAL OIL FACTORY.

1. Introductory:

As a result of the experiments carried on in the Indian Institute of Science, and of the enquiries made by Dr. Budboroug on the sandalwood oil distillation in England, Government, with the concurrence of the Director of Industries and Commerce, sanctioned the erection of a factory in Bangalore (G.O. No.Fl.5121-73/B.9-12-2 dated 12-3-1913). From the experience gained in working this factory and on the recommendation of the sandalwood oil Board, the erection of a larger factory with a greater output was started at Mysore. (G.O.No.Camp.53-58/80-15-3 dated 30-10-1915).

These two factories continued distilling sandalwood till December 1930 and as the maintenance of two factories was found unremunerative, the Bangalore factory was ordered to be closed with effect from 1-1-1931 (vide G.O.No.D.5808-12/S.O.F. 80-30-3 dated 29-11-1930). There is, however, an office at Bangalore which is only a Direction office.

Government arranged for distillation of oil in America since 1929 by exporting wood, as America charged Ad Valorem Duty on oil exported to it and it was found cheaper to export wood for distillation of oil and sale instead of exporting Factory oil.

The Agents in this matter at present are Messrs. W. J. Bush & Co who render accounts regarding manufacture and stock of oil and wood through the Trade Commissioner, London.

2. Prior to 1-1-1922, the value of sandalwood supplied for the Sandal oil factories by the Forest Department was being paid for to that department at rates fixed from year to year. Since 1-7-1922, however,

however, this payment was done away with and the factory was required to bring out in its accounts the net Revenue due to the sale of sandalwood in the form of oil, after providing for all manufacturing and marketting expendes and for Depreciation of Fixed Assets. This net Revenue and the transactions pertaining to the oil distillation are, at present, incorporated under the head "Sandal Oil Net Receipts" under "II. Forest." (G.O.No.I.C.1757-9/I.& C. 317-22-2 dated 4-10-1923).

FINANCE.

3. Capital Expenditure-

Before the beginning of each financial year, the Director should obtain sanction of Government for a detailed budget estimate of the Capital and Revenue expenditure for the year. Funds are provided for capital expenditure under (a) "39. Industrial and other works, 1. Sandal oil Factories," under the group "Capital outlay not charged to Revenue" and (b) Sandal Oil factory Depreciation Fund under "Reserve Funds - "Depreciation Funds" in the annual budgets.

4. Advance for Revenue Operation Expenses: -

(a) Initial working advances given to the factory on account of Revenue operation expenses are debited to "21. Industrial advances sandal oil Factory advances," by transfer credit to "15. A. Industrial Deposits, xviii. S.O.F. Deposits." All sale realisations and other sundry ~~other~~ receipts will be credited to this Deposit head and all cheques for expenses (including payments made by the Comptroller) drawn against this account. The deposit account will be operated both in the Mysore District Treasury and State Huzur Treasury with suitable balances required for transactions in these places. Treasury balances under this account will be raised periodically to the

extent

extent of remittances received through Messrs. Coutts & Co., and other Banks on behalf of the Factory and similarly the Treasury balance will be reduced to the extent of payments made by the Comptroller outside the state on behalf of the Factory.

(b) The operation results of the Factory will be brought in the State accounts under the following detail heads under the Revenue head "II. Forest, 1. Sandal Oil Net Receipts month by month by getting an account from the Factory and a cheque for the net Revenue due to Government for the month will be sent to the Treasury for credit under II. Forest.

(i) Opening stock
(ii) Operation expenses:
  (a) Raw Materials.
  (B) Salaries.
  (c) Labour.
  (d) Depreciation.
  (e) Miscellaneous.

Total operation expenses.

Total including opening balance.

(iii) (a) Sales.
  (b) Miscellaneous Receipts.
  (c) Closing stock.

Total (iii).

Net Revenue.

(G. O.No. Fl.5651-2/G.F.403-34-2 dated 12/15-1-1936).

LIMIT.

5. No capital expenditure exceeding Rs.10,000/- in the case of machinery, and Rs.2,500/- in the case of buildings, can be incurred without the sanction of Government (G.O.No.983-7/A. & I. 80-15-57 dated 31-7-1916 and G.O.2616-20/A. & I. 80-15-57 dated 11-9-1916).

ADDITIONAL ALLOTMENT:

6. If an amount larger than that allotted in the Budget is required at any time, the previous sanction of Government, general or special, should be obtained.

MINOR CAPITAL EXPENDITURE.

District Treasury in favour of the officers concerned.

11. Salary, Establishment and other claims in Mysore and Bangalore:

Salary, Establishment and other bills of the Mysore Factory will be paid from the drawing account with the Mysore Treasury and no bills will be presented at Treasuries for payment. Except salary and T.A. Bills, all other bills are subject to Local Audit. In the case of salary bills, they are subject to post audit by the G.A.D. of the Comptroller's office where the History of Gazetted Officers is maintained.

Salary and establishment bills of officers and officials, stationed at Bangalore, will be pre-audited and returned to the Director for payments being made by cheques on his drawing account at the S.H. Treasury. Other charges in Bangalore will generally be office contingencies for petty supplies and service and these charges will be paid for and included in the factory Revenue accounts in the same manner as similar charges of the Mysore Factory.

The Travelling allowance bills are subject to pre-audit and payment in the same manner as salary and establishment charges.

SALES.

12. The sales are generally conducted through Agents on different terms of contract. The sales in Eupope are mainly conducted by the Mysore Trade Commissioner in London. There are one or two brokers also for canvassing orders in France and Germany under the control of the Trade Commissioner. The sales in America and Canada are conducted through Messrs. Bush & Co. For the sales in China and Australia also there are agents.

13. Regular monthly accounts are rendered by the Trade Commissioner and several agents regarding sales

in

in their respective areas. Sales are also made on basis of forward contracts in Europe and America, accepted by the Trade Commissioner and approved by Government.

14. The sales realisations in India will, with the least possible delay, be paid into the State Treasuries, the Imperial Bank of India, and the Bank of Mysore as may be stipulated upon.

15. The realisations in Europe are paid into Messrs. Coutts & Co., London. In America they are remitted to the National City Bank of New York and the Bankers advise Messrs. W.J. Bush & Co., ~~xxxxxx xxxx~~ of the same. The balances are remitted weekly to Messrs. Coutts & Co., by New York Bankers but whenever the amounts credited are large exceeding ~~gg~~. 1,000/- cable advices are sent. The sales realisations in Canada are remitted to the Bank of Montreal and a similar procedure as above is followed. The entire realisation that is credited forms part of the Government balance.

16. The Trade Commissioner for Mysore in London is allowed a cash credit of £.5,000/- per quarter with Messrs. Coutts & Co., to meet the expenditure on account of distribution charges and commission and on account of freight, insurance, advertisement, Trade charges, commission payable to continental brokers, etc., and he renders a monthly account supported by vouchers direct to the Factory, a copy of this account being also sent to the Comptroller. Three-fifths of the Trade Commissioner's office expenses is debited to S.O.F. Revenue Account.

To watch that remittances made by the several Agents and all payments made by Messrs. Coutts & Co., and others arranged through the Comptroller are taken into the Factory books, the Director will maintain a pass book and send it to the Comptroller's office by

by the 20th of the month following for being written up and returned to him with vouchers in support of the payment. The receipts will be verified with the amounts already advised as paid by the Agents and the payments with the vouchers and original requisitions. The entries in the pass book will then be taken into the Factory accounts by journal entries.

The amounts realised by the sale of oil. Emp. should be paid to Messrs. Coutts & Co; London, and form part of the Government balance.

17. Monthly verification:

On receipt of weekly accounts from Messrs. Coutts & Co., a statement of sales realisations as shown therein will be compiled and forwarded to the Director. The latter on the basis of these prepares a consolidated monthly statement and sends the same to the Comptroller for verification and return for incorporation in his accounts. To enable the Comptroller to reconcile the monthly account maintained in his office with those of the Factory, the latter should submit a monthly cash account current showing the transactions under different heads.

18. Half-yearly stock-taking of the Sandalwood, oil, raw materials, tools, etc., will be conducted by the Director while annual stock taking will be done by the Director and the Chief Conservator of Forests.

19. List of accounts, etc., Books.

A list of the account and other books that are kept by the Factory is given in Appendix "A" and sample forms of the more important ones in Appendix "B". A brief description of uses of some important books is given below.

20.(a) Cash Book, Form No.1. for all cash and Treasury Transactions in Mysore: The cash book contains columns to note also the amounts which enter finally the sales and Purchase ledgers and the totals of these columns for the month will be taken to the general

general ledger. As regards other transactions, they are analysed in separate sheets, the abstract being noted in the closing page of the Cash Book for the month. From this record, the general ledger is posted

(b) A simple cash book is maintained separately in Bangalore office to record the transactions passing through the Director, S.O.F.

(c) An impress cash book and a Treasury Remittance Register are also maintained in addition to the books referred to above.

21. Purchase Journal: Form No. II.

For all credit purchases. These purchases are individually posted in detail to the purchase ledger and in monthly totals to the check account, viz., the sundry creditors' account in the General Ledger.

22. Sales Journal. - Form No. III for entering all credit sales: These sales are individually posted in detail to the personal accounts in the sales ledger and in monthly totals to the check account viz., the sundry Debtors' account in the General Ledger

23. Journal. - For transfers, corrections and closing entries and also for adjustment transactions relating to the sale of oil, powder, stores, etc. The transactions are posted directly into the General Ledger.

24. General Ledger: This contains all impersonal accounts the headings of which are found in the balance sheet and revenue account and Manufacturing account.

(a) One important account in the Mysore General Ledger is the "Consignment Account," for oil consigned This account contains separate columns on the debit side to note "number of cases sent out" and "Charges incurred for shipping, packing, freight and insurance" and similar columns on the credit side to note cases sold out, the shipping etc., charged to be relieved in proportion to the sale. All charges incurred on

on a consignment, are debited to this account in the appropriate columns against the particular consignment and on receipt of the Account sales, these charges are noted in the respective columns against the particular consignment in proportion to the number of cases sold, the balance at any time representing the charges incurred on the cases still unsold with the Agents and in transit.' At the close of each financial period, the balance of the consignment account is shown as an unexpired asset in the balance sheet the amount charged to the account "Freight, shipping and Insurance," in the Revenue Account being only that portion representing the charges on the cases actually sold. The value of oil consigned is not adjusted at the time in the financial books, when Account Sales are received from the Agents, their accounts are debited with the amount of sales, by credit to "Sales," the balance of stock with them being verified with the balance shown in the quantity stock book and valued in the periodical balance sheets at the average rate of cost of manufacture and exhibited as a separate item therein.

(b) There is in the American general ledger a similar consignment account for Sandalwood shipped out to America for distillation which is maintained on similar lines as above.

25. Sandalwood stock book - Form No. IV, for showing the receipts, issues and balances of stock.

26. Register of Fixed Assets: A register showing the value of Buildings, Machinery, Tools and Plant, etc., forming the capital expenditure of the factory irrespective of the source of finance, i.e., Capital grant, Depreciation Reserve, and Revenue funds, entries being made therein, as far as possible, in the chronological order.

27. Sandal Oil Stock Book: A register to show is maintained

the

the sandal oil produced, disposed of and balance on hand and in transit.

28. Sandalwood powder stock book: A similar register is maintained for sandalwood powder and other bye-products if any.

29. Still Accounts: For each still, a Distillation register is kept in which are noted the quantity of sandalwood powder charged, the time of charge, the quantity of crude oil obtained at intervals, generally of 8 hours, and the percentage of yield. The yield of oil as noted in these registers is abstracted into a register called "Shift output register" from which the quantities of crude oil in total are entered in a crude oil receipts book known as No. 1 Register. The purified oil is brought into account in the purification register known also as "No. 2 Register."

30. Store Accounts: A ledger account for each article is maintained in the stores ledger showing in quantity and value, the opening and closing balance, the receipts and the issues. For fuel sandalwood and sandalwood oil, however, quantity accounts only are maintained.

To enable the Comptroller to reconcile the monthly account maintained in his office with those of the factory, the latter should submit a monthly account maintained in his office with those of the factory, the latter should submit a monthly Cash Account Current showing the transactions under different heads.

A U D I T.

31. The accounts of the factory are subject to a monthly local audit by the staff of I.A.D. of the Comptroller's Office stationed at Mysore. As soon as the monthly Manufacturing, Trading and Revenue Accounts are received by the auditors,

the

the accounts are audited with reference to vouchers, etc., and an audit memo containing points which are not settled during the course of monthly audit is sent to Director for taking necessary action. Once a quarter a report on important points noticed during audit will be submitted to Government with a Manufacturing and Sales account duly certified by the Officer in charge of I.A.D. after personal discussion of the Report with the Officer in charge of the Factory. The report on the accounts for the year ended June will be accompanied by annual Balance Sheet and Profit and Loss account, verified by the officer in charge of I.A.D.

The report will include:

(i) the comparison of the costs of production of oil per unit with those in the previous quarter and in the corresponding quarter in the previous year and also with those obtained in the outside distilling centres and an explanation of the causes of large variations, if any, as furnished by the Factory.

(ii) Review of balances outstanding: -

(a) Debtor balances: 1. Agents. 2. Others.

(b) Credit balance: Any heavy unpaid amounts.

(iii) Comparison of stock of oil with the previous quarter's stock and the cause of variation in the stock such as excess or less production and excess or less consignment.

(iv) Additions, etc., on Capital Account:

(v) Comparison of price of oil realised with previous or authorised prices and with the cost of production.

(vi) Other points of importance worth noticing such as overpayment of commission or other dues, non-provision for liabilities incurred, etc.

32. ACCOUNTS AND RETURNS:

The following accounts and returns are received monthly

by the Comptroller from the Factory, Trade Commissioner, Messrs. Coutts & Co., London, Imperial Bank, Bombay and Bangalore.

I. Factory:

(1) Cash Account current with schedules showing working expenses.

(2) Statement of remittances into the Mysore District Treasury and State Huzur Treasury, Bangalore.

(3) Statement of approximate value of sales.

(4) Revenue account of the Factory, Manufacturing, Trade and Revenue accounts.

(5) Copies of Account sales, Stock accounts, Statement of realisations through Messrs. Coutts & Co., received from Trade Commissioner.

(6) Statement of writes off.

II. Trade Commissioner:

A monthly statement of Trade Commissioner's expenses relating to Sandal oil Factory and other departments.

III. Messrs. Coutts & Co.

Weekly statement of remittances to them on account of Sandal oil sales and payments made by them (received in the Book Section).

IV. Imperial Bank, Bombay and Bangalore.

Monthly statement of credits and debits (received in the Book Section).

33. Accounts in Comptroller's Books.

(A) Revenue Transactions:

The T.A.D. will send to the I.A.D. the schedule received from the Treasury showing the payments in detail made by it to S.O.F. and debited to "15.A. Industrial Deposits, XVIII. S.O.F. Deposits" after comparing and the total figure in the schedule with the cash account. Similarly the Book Section will send to the I.A.D: schedules relating to payments made by the Imperial Bank and Coutts & Co.,

3/5ths

3/5ths of the Trade Commissioner's Office expenses will be adjusted monthly by a Transfer Entry by debit to 15.A Industrial Deposits, xviii. S.O.F. Deposits. These debits will be posted by I.A.D. in the Broadsheet for the Deposit head. The total drawings by the Factory during a month will then be compared with the figure as furnished by the Factory in the Cash account current and dfferences, if any, reconciled.

Similarly the credits relating to Sandal Oil sales etc., under II Forest, Sandal Oil Net Receipts, will be collected together in a statement from the Treasury schedules received from T.A.D., Imperial Bank; Coutts & Co., statements, received from the Book Section.

The Factory maintains a Pass Book in which the several credits and debits appearing in Coutts & Co.'s accounts, Imperial Bank Accounts, Trade Commissioner's expenses account are entered monthly by the Book Section and sent to the Factory for incorporation in its accounts.

The gross sales realisations will be compared with the amount of the approximate value of sales for the month, (Vide item I(3) under para 32).

The Revenue accounts received from the Director, every month, will be incorporated in the monthly accounts by credit to II. Forest - Sandal Oil Net Receipts, and corresponding debit to 15A. Industrial Deposits, xviii. S.O.F. Deposits. After the close of the year and as soon as the Balance Sheet and accounts are received, the Factory figures relating to Gross sales and working expenses will be compared with the corresponding figures of this office to end of June and any differences noticed will be adjusted to the heads under II Forest and 15A. Industrial Deposits, S.O.F. Deposits, before June Final accounts are

are closed.

B. Capital Transactions.

The Capital expenditure incurred by the Factory and as given in the cash account current and debited in the first instance to 15.A. Industrial Deposits, xviii S.O.F. Deposits will be adjusted by Transfer Entries after check and verification during local audit by debit to 39. Industrial and other works, (1) S.O.F. and credit to the above deposit account.

The amount credited to Depreciation Reserve account and the amount utilised as capital expenditure from the same reserve will also be separately adjusted by T.E.'s by debit and credit to 15.A. Industrial Deposits, S.O.F. The amount credited under the S.O.F. Provident Fund will also be adjusted by a T.E.

34. Broadsheets are maintained by the I.A.D. Section for the following heads:

1. 21 Industrial Advances,
   (c) S.O.F. Advance account.

2. 15. A. Industrial Deposits,
   xviii S.O.F. Deposits.

3. U. Reserve Funds,
   8.(g) S.O.F. Depreciation Fund.

4. T. Unfunded Debt, 5. Insurance and Provident Funds.
   (b) S.O F. Provident Fund.

These are sent every month for the corresponding Book figures to be noted therein.

At the end of the financial year, the balances under each of the above heads are reviewed and the report thereof included in the annual report to Government.

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APPENDIX "A"

List of Account Books maintained by the Government Sandalwood Oil Factory in Mysore.

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1. Cash Book - Mysore. Form No. I.
2. Cash Book - Bangalore.
3. Purchase Journal. Form No. II.
4. Sales Journal. Form No. III.
5. Mysore Journal.
6. American Journal.
7. Mysore General Ledger.
8. American General Ledger.
9. General Stores stock ledgers.
10. Sandalwood Oil stock book. Form No. V.
11. Sandalwood Oil stock register. Form No. IV.
12. Staff Provident fund ledger, (Estt.) Form No. VI.
13. - do - (Muster rolls).
14. Staff Provident fund loan ledger. Form No. VII.
15. Personal Ledger (London transactions).
16. - do - (American & Canadian transactions in one book).
17. Sales Ledger.
18. Purchase Ledger.
19. Staff advance ledger.
20. Register of Fixed Assets.
21. Stores Ledgers.
22. Still Accounts.

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APPENDIX "B"

F O R M S.

Receipt Side.

Cash Book of S.O.F.

1	2	3	4	5	6	
Date.	Receipt No.	Ledger Folio.	Cost.	Treasury.	Sales Ledger.	

Payment Side.

1	2	3	4	5	6	
Date.	Voucher No.	Ledger Folio.	Cash.	Treasury.	Purchase Ledger.	

Form II.

Purchase Journal of S.O.F.

1.	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Serial No.	Date.	Bought of	Invoice No. Date.	Particulars.	L.F.	Amount.	Fuel	Stores	Chemicals.	Ft. & Carriage.	Repairs and renewals.	Shipping and insurance.	Trade charges.	Miscellaneous.

Form III.

Sales Journal of S.O.F.

1	2	3	4	5	6	7	8	9	10	11	12
Serial No	Date	Bill No.	Sold to	Particulars.	Ledger Folio	Amount.	Sales S.W. Oil.	Sales Packing.	Sales Stores.	Trade charges.	Miscellaneous.

Form IV.

Receipts. Sandalwood Stock Book of S.O.F. Stock.

1	2	3	4	5	6	7	8	9	10	11	12
Date.	Roots. T.Cw.lbs.	Billets. T.Cw.lbs.	Jajpokal T.Cw.Lbs.	M.Chilta T.Cw.lbs.	Total. T.Cw.lbs.	Roots. T.Cw.lbs.	Billets T.Cw.lbs.	Jajpokal T.Cw.lbs.	S.Chips T.Cw.lbs.	M.Chilta. T.Cw.lbs	Total. T.Cw.lbs.

Issues.

1	2	3	4	5	6
Roots. T.Cw.lbs.	Billets. T.Cw.lbs.	Jajpokal T.Cw.lbs.	S.Chips. T.Cw.lbs.	M.Chilta. T.Cw.lbs.	Total. T.Cw.lbs.

F o r m V.

Sandalwood oil Stock Book of S.O.F.

Receipts: Issues.

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Date.	Particulars.	Grammes.	in Lbs. Ozs.	Total. lbs. ozs.	Invoice No.	Date	Delivery Note No.	Name of party	Drafts or write off lbs. ozs.	Cash	Credit.	Consignment. Lon Pa- Ham don ris burg	To ta

Form VI.

Staff Provident Fund Ledger of S.O.F.

Name of employee..... .. ..

Address.....
....

Name of Nominee..... .....

Address.....

1	2	3			4	5	6			7	8
Date Year & month.	Particulars	Members' subscription and withdrawals.			No. of days.	Product.	Factory Contribution.			Product.	Remarks.
		Dr.	Cr.	Balance at credit.			Amount.	Balance at credit.	No. of days.		

Form VII.

Dr. Staff Provident Fund Loan Ledger of S.C.F.

1	2	3	4	5	6	7	8
Month and date.	Particulars.	Ref. Folio	Amount.	Credits and inst. Nos.	Balance.	Ref. Folio.	Product.

General Stores Book of Sandalwood Oil Factory, Mysore.

1	2	3	4	5	6	7	8	9
		Receipts.					Issues.	
Date.	Reference.	Quantity.	Value.	Date.	Reference.	Quantity.	Value.	Balance.

Fuel Stock Book of S.O.F.
Daily Register of Receipts and Issues of: Fuel, Spent wood, Paddy husk.

1	2	3	4	5		
Stock No. or Serial	Previous Balance T. Cw. Qrs.	Receipts. T. Cw. Qrs.	Total. T. Cw. Qrs.	Issues. T. Cw. Qrs.	Balance. T. Cw. Qrs.	Mechanic's signature.

Kerala Soap Institute
Cinchona Plantations
Industrial Engineering Workshop

Note furnished by Mr.S.Raghavachar, Assistant Comptroller regarding the accounting procedure followed in the Industrial Concerns of Madras and Mysore.

Before April 1934, the net profit or loss on working of the commercial concerns (of which there are only three in Madras and which are also of small magnitude), as brought out in the Profit and Loss, was being booked under the Revenue Head or Service head, as the case may be. After the passing of the Government of India Act, the Auditor-General issued instructions that the procedure in Chapter 2 of the Account Code should be regarded as changed and that the gross expenditure should be subjected to the vote of the legislatures. Accordingly, from the Budget of 1934-35 the accounting was changed to a cash basis under both receipts and payments.

Capital expenditure on development is charged to the grant under the Capital heads, corresponding to ours outside the Revenue account. Outlay on minor capital works, however, is charged only to the Depreciation Funds created for each concern.

The monthly accounts received from the concerns are on a purely cash basis, just like a compiled account of our Forest Department account, the drawings by cheques and payments to Treasury being passed through the respective remittances heads, the expenditure and revenue being classified under the respective sub heads of service or Revenue. These are booked in the detail books likewise. Unpaid liabilities for wages or materials purchased and unrealised sales, do not pass through the "Regular accounts". The Profit and Loss and Balance Sheet, prepared annually, are treated as proforma accounts and only 2 items thereof are incorporated into the Government

Government accounts. The following extract of para 595 of the Madras Budget Memorandum for 1938-39 explains the position:-

"The Kerala Soap Institute etc., are treated as business undertakings, and commercial accounts, outside the regular accounts, are maintained for them with annual Balance Sheet and Profit and Loss Accounts. Two special items relating to them which enter the regular accounts are:-

(i) Interest on the Capital outlay on them(by debit under the Service Head 'Industries' and credit under the Service head 'Interest charges' as abatement of expenditure).

(ii) Depreciation fund for renewal and replacements. This is credited with the amount shown in each annual Profit and Loss Account by contra debit like interest in the accounts. These two items are adjusted only once a year at the end of the year, after the Profit and Loss accounts are reviewed. The Depreciation Fund is also credited with the sale proceeds of unserviceable Plant and Machinery and debited with the value of replacements, etc. The Balance of the fund is left with Government as an investment and on this Government allow interest by debit to 'Interest' and credit to the 'Fund'."

In the case of Coimbatore Jail and Agricultural Dairy Farms (which I visited) also, regular double entry system of accounts in vogue in commercial factories is obtaining. But the Balance Sheet and Profit and Loss prepared from them are also treated only as proforma accounts and these do not pass through the 'Regular accounts', but only the actual cash outgoings or incomings for which a separate monthly abstract is sent and the transactions shown on both sides.

In the case of Productive Irrigation Works for which Capital and Revenue accounts are maintained, the manner of exhibition is somewhat as in the case of our Sandal Oil accounts i.e., Gross receipts (representing the actual portion of the Land Revenue collected and transferred at the end of the year from Land Revenue to the Irrigation head). In this case also, neither unpaid liabilities nor revenue due is included in Regular accounts.

In the case of the Public Works Workshop, Madras the accounts prescribed in the P.W. Account Code are maintained. The unpaid liabilities and unrealised sales are passed through the usual Suspense accounts, Purchases and Sales or Advances under the main account 'Workshop Suspense'. At the end of the year, a proforma Balance Sheet and Profit and Loss Account is prepared and the net loss is charged off as 'service expenditure' against the grant provided in the Budget for the purpose.

From the foregoing, it will be clear that the main object of the change in procedure in Madras was to satisfy the requirement of Section 72 of the Government of India Act and subject the gross expenditure to the vote of the Legislature. This has inevitably resulted in the inflation of figures on both sides and relegating the Profit and Loss and Balance Sheet to the background, as these are not woven into the structure of Government accounts.

Our method of accounting and exhibition seems, in my humble opinion, to be a distinct improvement and a change over to cash basis will be a retrograde step. The more so since the institutions also have got quite used to it and are unwilling to change the same. Our gross expenditure is automatically brought out for the vote of the Legislature and the net loss or gain is brought out only

on

on one side of the Public accounts. All liabilities for purchases which will be heavy in the case of the Iron and Steel Works, are incorporated in Government accounts immediately on the same analogy as credit purchases of stores in P.W.D.(on a much smaller scale than in commercial concerns) and the Government accounts bring out the true financial position, as disclosed by the Profit and Loss accounts.

The only objection that could be levelled against this and which is also the origin of this U.O. note, is that credit sales taken credit for as Revenue before realisation, might turn out bad later on and that such losses might be a drag on the revenues of future years. The instance, in question, is of an exceptional character and a solitary one during the 20 years and over during which we have maintained accounts on a commercial basis. This argument might with equal force apply to many of the Industrial or other advances that the Government make and carry forward as assets year after year. However, even if it is felt that a certain amount of caution is necessary, this could be exercised by providing a small reserve for the realised debts in Government Books i.e., in our office but not in each Profit and Loss Account, since on administrative grounds this may not be desirable, as it may act as a filip to write off even debts which can be realised with some efforts. It would be better to face writes off when they do occur after acrutinising the justification therefor. The balance of advantage is, therefore, in favour of continuing the present system.

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